



UTILITIES AND TRANSPORTATION COMMISSION



# TABLE OF CONTENTS

|  |    |
|--|----|
| <b>Agency Profile</b> .....  | 3  |
| <b>Vision, Mission, and Core Values</b> .....  | 4  |
| <b>Increase Public Safety</b> .....  | 5  |
| Review and update rail safety regulations. ....  | 5  |
| Enhance the pipeline Geographic Information System. ....                                   | 7  |
| Ensure safety of for-hire transportation providers.....                                    | 9  |
| <b>Tailor Regulation to the Requirements of Evolving Markets</b> .....                     | 11 |
| Streamline energy regulatory processes. ....   | 11 |
| Promote efficient management of small water companies .....                                | 13 |
| Address long-term issues associated with rate-setting for low-income energy customers..... | 15 |
| <b>Ensure Safe and Reliable Infrastructure</b> .....                                       | 17 |
| Evaluate preparedness to protect critical infrastructure .....                             | 17 |
| <b>Improve Business Performance</b> .....  | 19 |
| Increase use of electronic documents. ....   | 19 |
| Retire legacy IT infrastructure .....  | 21 |
| <b>Take Steps to Become an Employer of Choice</b> .....                                    | 23 |
| Build a culture of respect, professionalism, integrity and accountability. ....            | 23 |
| <b>Assessment of Internal Capacity and Financial Health</b> .....                          | 24 |
| <b>Performance Assessment</b> .....  | 26 |
| <b>Statutory Authority of the Commission</b> .....   | 30 |

# AGENCY PROFILE

The Utilities and Transportation Commission protects consumers by ensuring that investor-owned utility and transportation services are fairly priced, available, reliable, and safe. This is done by balancing the interests of service providers with the interests of the consumers in Washington who pay in excess of \$6.2 billion annually for these services. This is a role the commission has performed for 109 years and one that has required considerable adaptation over time.

The commission regulates a wide range of services provided by investor-owned companies, including: electricity and natural gas; landline telecommunications (but not wireless, Internet, or cable); solid waste collection; water; pipelines; railroad carriers and facilities; household goods movers; commercial ferries; and buses. For each industry, the type and purpose of regulation varies, as does the commission's authority and jurisdiction. Generally, the commission regulates rates, service quality, consumer protection, and safety measures. New market conditions, technology, federal and state laws, and consumer expectations make for a dynamic policy landscape.

The commission values its ability to provide access to information about regulatory activities, and its communications office keeps the public and stakeholders informed of significant developments. The commission's website, [www.utc.wa.gov](http://www.utc.wa.gov), is designed to be easily accessible to consumers, regulated companies, and interested persons. Documents in formal proceedings are usually available online within 24 hours of being filed. Most other public records are available electronically and paper copies are always available. The commission's general business meetings are open to the public, as are formal hearings. Many members of the public participate in formal commission proceedings by commenting at public meetings.

The commission's budget for the 2015-17 biennium is \$58.4 million, and the agency has 165.7 full-time equivalent (FTE) positions. Operations are supported through fees paid by regulated companies and federal grants fund activities such as pipeline and motor-carrier safety.

Since the commission opened its doors as the Washington Railroad Commission in 1905, it has seen significant changes in the utility and transportation industries and its role has grown and changed dramatically. The regulatory environment continues to be one of constant and often unpredictable change, which requires responsiveness, thoughtfulness, and adaptability. Over time, the commission has developed a strong core of institutional knowledge that contributes to a sense of stability and continuity in operations.

# VISION, MISSION, AND CORE VALUES

## Vision

The Utilities and Transportation Commission is recognized for its excellence and integrity as a utility and transportation regulatory agency and as a great place to work.

## Mission

The Utilities and Transportation Commission protects consumers by ensuring that investor-owned utility and transportation services are fairly-priced, available, reliable, and safe.

## Core Values

|               |  |   |   |   |
|---------------|--|---|---|---|
| <b>Values</b> | <b>Respect</b><br>We treat every person and interaction with consideration and goodwill. | <b>Professionalism</b><br>We are committed to excellence in our work and conduct. | <b>Integrity</b><br>We do the right things for the right reasons, trusting others to do the same. | <b>Accountability</b><br>With courage we hold ourselves and each other accountable for exhibiting these values. |
|---------------|--|---|---|---|

## Introduction

The commission has the following strategic goals:

- Increase public safety.
- Tailor regulation to the requirements of evolving markets.
- Ensure that companies provide safe and reliable infrastructure on which the state's economy depends.
- Improve the commission's business performance for the benefit of employees, regulated firms and the public.
- Take steps to make the commission an employer of choice.

This plan describes 10 tactical goals that the commission will focus on during the 2015-17 biennium:

Each tactical goal includes the following information:

- The division assigned to lead the work described;
- Background information;
- Objectives;
- Strategy;
- The budget activity related to the tactical goal. The number following the activity title is the Office of Financial Management (OFM)-assigned activity number from the commission's activity inventory;
- The relevant budget performance measure. The number following the measure title is the OFM-assigned measure number from the budget performance system; and
- The Governor's priority that the tactical goal supports.

# INCREASE PUBLIC SAFETY

## **Tactical Goal**

Review and update safety regulations and implement improvements to address urbanization, increasing rail traffic and hauling of combustible materials.

## **Responsible Division**

Safety and Consumer Protection

## **Factors that Support this Goal**

Washington state receives crude oil by tanker, barge, railcar, and pipeline. In 2011, 71 percent of all crude oil to the state arrived by ship, 26 percent by pipeline, and 4 percent by rail.<sup>1</sup> The changing landscape of crude oil drilling and production, along with the economics of oil transportation, brings new risks to communities along rail lines. The unique and unprecedented preemption the railroads maintain from the federal government means that the state's ability to regulate the industry is limited. The commission's jurisdiction over railroad safety and the mission of the railroad safety program is focused on a few key areas that currently are not preempted by federal law. Those areas include opening, closing, and reconfiguring railroad-highway crossings, public crossing safety, railroad employee safety, the grade crossing protective fund, education and promotion of public awareness, responding to citizens' complaints, and providing technical assistance to operators and road authorities.

The amount of Bakken crude oil moved by rail has grown exponentially because of the absence of pipelines to move the product. No pipeline currently exists to transport this oil to refineries and markets in other parts of the nation.

In 2013, Congressional Research Services estimated that 280 million barrels of oil were shipped by railroad through the United States, increased from 6.5 million barrels shipped in 2008. Washington saw approximately 17 million barrels shipped through the state in 2013 with a projected 55 million barrels in 2014. The exponential growth in the volume of crude transported by rail has been accompanied by a number of derailments involving crude oil, some with catastrophic results, emphasizing the need for increased public safety.

The amount of crude oil being moved by rail within Washington state is expected to continue to increase, depending on refinery expansion, from 63 to 284 percent. It is necessary for the commission to take steps to protect public safety on and around the railways.

## **Objectives**

The Washington State Legislature, identifying the risks associated with oil transportation, directed the state Department of Ecology (Ecology) along with the commission and other state agencies, to conduct a

---

<sup>1</sup> Petroleum Supply and Use in Washington State, Washington State Department of Commerce.

study of oil shipments through the state. The purpose of the study is to assess public health and safety as well as environmental impacts associated with oil transport.<sup>2</sup>

In June, Gov. Inslee issued a directive (14-06) requesting the state agencies conducting the oil transport study to increase the state's oil spill prevention and response efforts and conduct a risk analysis of railroad lines in the state. The study will identify gaps in the current federal and state regulatory framework and recommend areas of improvement to enhance public safety. The commission is working with Ecology to complete the oil transportation study by March 2015.

After the study is completed, the commission will work with strategic partners to further improve the safety of Washington state railroads. Commission staff will develop a work plan by July 1, 2015, that addresses the study recommendations and guidance received from the Legislature. The commission will implement the work plan throughout the 2015-17 biennium.

### **Strategy**

Partnering with tribes, federal and state agencies, local government, and first responders, as well as, participating in the Ecology study on oil transportation, the commission will draft and implement an outcome-based strategy that focuses on improving public safety along railways. After the study is completed, the commission will work with stakeholders to implement the approved recommendations that fall within its authority.

### **Related Budget Activity**

- Safety regulation of utility and transportation companies (A013)

### **Budget Performance Measure**

- Rate of collisions involving motor vehicles and trains per one-million train-miles traveled (972)

### **Link to Governor's Priorities**



Analysis of railroad crossing risk factors, identification of gaps in the current regulatory system, and recommendations for areas of improvement to enhance public safety supports goal four of the Governor priorities: Healthy and Safe Communities.

---

<sup>2</sup> Laws of 2014, c. 221, Sec. 302 (14).

# INCREASE PUBLIC SAFETY

## **Tactical Goal**

Enhance the state pipeline Geographic Information System (GIS).

## **Responsible Division**

Safety and Consumer Protection

## **Factors that Support this Goal**

The federal Pipeline and Hazardous Materials Safety Administration (PHMSA) grants state agencies inspection and enforcement responsibility over natural gas and hazardous liquid pipeline facilities, under the Natural Gas Pipeline Safety Act of 1968.

The commission is responsible for developing and enforcing safety standards for natural gas and hazardous liquid pipelines located within the state, and for ensuring compliance with regulations through operator inspections, enforcement actions, and accident investigations. The commission also inspects the portions of interstate natural gas and hazardous liquid pipelines located within Washington state through an interstate-agent agreement with PHMSA.

The objective of the commission's inspection program is to mitigate overall risk to people, property, and the environment. The effectiveness of the commission's pipeline safety efforts depends on information obtained through inspections. This data is included in a GIS system that allows the commission to evaluate operator compliance. Expanding the capabilities of the Pipeline Safety GIS will provide commission staff with better pipeline location information, which is critical for performing risk-analyses of pipeline segments, conducting and scheduling inspections, and collecting and submitting pipeline information.

In addition, state law requires the commission provide accurate maps of certain natural gas and hazardous liquid pipelines through GIS to meet the needs of first responders, local governments, and utility locating services.

## **Objectives**

- Enhanced pipeline GIS data will:
  - Be available to inspectors anywhere they have Internet access;
  - Track facilities and areas previously visited to ensure inspection coverage;
  - Provide more timely updates to first responders and to the local permitting agencies, as provided by state law;
  - Link with SharePoint inspection data, including inspection history; and
  - Create and publish layers for pipeline damage prevention and material failure reporting.
- Pipeline inspectors conduct risk-based analyses on pipeline data using enhanced GIS data.
- Develop and implement the needed enhancements to the pipeline GIS database no later than June 30, 2017.



**Strategy**

The commission will transition its GIS system and data to state shared services or external cloud services such as ArcGIS online to make GIS resources available to commission staff and the public. If the system is moved to Internet-based cloud services, GIS data and applications could be accessed far more easily by commission staff, stakeholders, and the public on a variety of devices, including tablets and smartphones.

**Related Budget Activity**

- Safety regulation of utility and transportation companies (A013)

**Budget Performance Measure**

- The number of federally reportable, significant pipeline incidents in Washington (971)

**Link to Governor's Priorities**

Implementing this strategy will enable commission staff to quickly access important GIS information and provide more accurate and timely information to first responders. This supports goal four of the Governor's priorities: Healthy and Safe Communities.

# INCREASE PUBLIC SAFETY

## **Tactical Goal**

Ensure that for-hire transportation providers in Washington are operating legally and safely.

## **Responsible Division**

Safety and Consumer Protection

## **Factors that Support this Goal**

Recent developments in the for-hire passenger transportation industry present regulatory issues that state government needs to address. The issues are presented by the emergence of shared transportation services such as Uber and Lyft, and the development of so-called “party buses.” Both types of transportation carriers raise questions about the need for additional safety, financial, and registration requirements.

Following news stories about fatalities in other states involving party buses, many involving alcohol, the commission undertook a study of party bus operations in Washington. The study identified the various types of passenger service licenses used by party bus services and identified the regulatory structure for each. For example, a party bus may operate as a charter bus, falling under commission safety regulation – or a party bus may also operate as a limousine, subject to regulation by the state Department of Licensing.

Some carriers claim to fall under exemptions to the law, including one for companies operating solely within the limits of an incorporated city<sup>3</sup> or because they do not offer services to a group of persons traveling together, avoiding the definition of a “charter party carrier.”<sup>4</sup> Some carriers may advertise as “private clubs,” which may put them in a category of carriers that fall outside commission regulation.

It is imperative that these carriers hold the appropriate permit to provide service so that the commission is able to ensure the safety of the travelling public. The commission is concerned that carriers can demonstrate that they have the required levels of liability insurance, their drivers’ credentials have been verified and are appropriate for the vehicles they are operating, the vehicles are safe, and the carrier meets all recordkeeping requirements.

In addition, the emergence of shared transportation providers has raised questions about whether there should be a state regulatory role, how best to structure this role, and which agency should be tasked with this work.

## **Objectives**

- Advocate for enactment of state laws and related regulations to protect Washington residents from the hazards posed by the unregulated party bus industry.
- Contribute to the policy discussion related to regulation of the shared transportation providers.

---

<sup>3</sup> RCW 81.70.030(4)

<sup>4</sup> RCW 81.70.020(5)

- Complete the rulemaking implementing the revised laws within one year of the new law becoming effective.
- Conduct a public outreach effort within three months of completing rulemaking.

### **Strategy**

Working with stakeholders, the commission will request legislation to strengthen regulatory oversight of the party bus industry. If the effort to change state law is successful, the commission will conduct a rulemaking to implement the outcome of the legislation and include safety enhancements for charter, excursion, and party buses. Once complete, the commission will develop and implement a public outreach effort to educate consumers about party bus safety.

The commission will also participate in the policy discussion about how the state should regulate shared transportation providers and which agency to assign the responsibility.

### **Related Budget Activity**

- Safety regulation of utility and transportation companies (A013)

### **Budget Performance Measure**

- The number of reportable accidents per million miles traveled by Washington passenger carriers (962)

### **Link to Governor's Priorities**



The development of clear safety and regulatory requirements to ensure party buses and shared transportation service operators provide safe and reliable transportation service supports goal four of the Governor's priorities: Healthy and Safe Communities.

# TAILOR REGULATION TO THE REQUIREMENTS OF EVOLVING MARKETS

## **Tactical Goal**

Respond to technological and statutory changes in the energy industry.

## **Responsible Division**

Regulatory Services Division

## **Factors that Support this Goal**

The electric industry is experiencing a period of rapid change driven by a number of factors including new energy technologies, the focus on renewable sources of energy, and evolving statutory and regulatory requirements.

The increasing effectiveness of distributed sources of electrical generation, such as rooftop solar and energy storage, requires the commission to adapt its regulations to accommodate these technologies.

All of this is occurring at a time when regulated energy companies are called upon to make significant new investments to replace aging infrastructure and develop sources of renewable energy. This has caused companies to file for rate increases much more frequently.

Rapid industry change requires new solutions to address various policy goals. Washington state's Energy Independence Act (EIA) requires increased investment in renewable generation resources and energy conservation. Commission-regulated electric utilities now generate 9 percent of their energy from renewable resources and annually conserve a half-million megawatt-hours, enough to power a city the size of Renton for a full year. Implementation of the EIA, the greenhouse gas emissions performance standard, and other statutory changes have significantly increased commission staff's workload, and is changing the character of the work.

The commission has not reviewed its rules relating to utility Integrated Resource Planning (IRP) since 2006. In order to incorporate consideration of emerging technologies and services into company IRPs, the commission should review and modify its rules governing the development of IRPs, addressing:

- Renewable energy requirements;
- Proposed Environmental Protection Agency (EPA) rules on carbon emissions;
- Developments regarding distributed generation of electric energy;
- New transmission requirements;
- Developments in energy storage technologies; and
- New uses for electricity and natural gas as a transportation fuel.

Regulatory processes must respond and adapt to a dynamic environment. In recent years, electric companies have been filing rate cases on almost an annual basis. These cases are increasingly complex. It is appropriate for the commission to explore mechanisms to streamline regulatory processes including:

- Multi-year rate plans. Plans for pre-defined rate increases with streamlined review that reduce the need for annual rate cases.

- Expedited rate filing processes. Simplified procedures that reduce the time between when the request is filed and a commission order is entered.
- Revenue attrition methodologies. Tools to address the problem of revenue attrition, which occurs when the relationship between revenues and costs changes after rates were developed.

Rate structures should consider market and technological developments, such as distributed generation, battery storage technology, and effective use of new information technology for the grid. These changes and the continued emphasis on promoting conservation will require further exploration of pricing structures to ensure rates remain fair, just, reasonable, and sufficient.

### **Objectives**

- Update the commission's IRP rules by March 2017 to ensure resource plans reflect least-cost alternatives that comprehensively address new developments.
- Evaluate different rate structures, either in the context of specific rate filings or in a generic proceeding, that may better accommodate technology and market changes. Where the commission adopts new pricing structures, the performance of those structures will be measured by whether the companies meet conservation goals and levels of investment in distribution infrastructure.
- Evaluate more efficient approaches to rate setting and adapt how the commission regulates energy companies to mitigate the impacts of an increasing energy-related workload.

### **Strategy**

Through rate cases, rulemakings, workshops, and examination of IRPs, the commission will advance processes and methodologies that streamline the regulatory process, promote the evaluation and use of emerging technologies or services, and examine alternative pricing policies.

### **Related Budget Activity**

- Economic regulation of utility and transportation companies (A014)

### **Budget Performance Measure**

- The average residential electricity rate paid by Washington customers of private utilities as a percent of the national average (965)

### **Link to Governor's Priorities**



Encouraging an evaluation of emerging technologies and evaluating pricing structure support Goals two and three of the Governor's priorities: Supporting a Prosperous Economy and Sustainable Energy and a Clean Environment.



Streamlining regulatory process to better fulfill statutory goals supports Goal five of the Governor's priorities: Effective, Efficient and Accountable Government.

# TAILOR REGULATION TO THE REQUIREMENTS OF EVOLVING MARKETS

## **Tactical Goal**

Promote efficient management of small water companies.

## **Responsible Division**

Legislation and Policy

## **Factors that Support this Goal**

The commission has regulated private water companies since the early 1900s and currently regulates 70 private water companies. The commission does not regulate municipal or public water systems.

The size of regulated companies range from those serving only seven customers to those serving more than 17,000 customers. Fifty-six percent of regulated water companies are small systems with fewer than 200 customers.<sup>5</sup> These systems generally were developed as part of small residential development projects and were eventually sold to companies with limited financial and managerial resources.

Typically, by the time a developer sells a water system, the assets have depreciated and there is little or no equity to transfer. The acquiring water companies typically are owned by individuals with little access to capital, and little or no experience in business and water system management. These companies find it extremely difficult to generate sufficient revenue or raise enough capital to make needed improvements, or comply with safe drinking water standards.

Further, the standard method for regulating the rates of utilities – rate base, rate-of-return regulation – does not create sufficient incentive for small water companies to invest in the water system. With little equity available for investment, the companies tend to choose to pay for system improvements either through debt – which is difficult to finance when there is no equity to serve as collateral – or through customer surcharges. In some cases, companies acquire debt through government loan programs, which leaves the taxpayers at risk. If customers pay for the infrastructure through surcharges, there is a risk that the owners of the company will receive a windfall profit if they sell the water system at a substantial gain, if the owners did not actually invest in the infrastructure.

The current process by which the commission establishes rates also creates challenges for small water companies. The cost and complexity of pursuing a general rate case causes companies to defer or avoid filing for necessary rate increases. When companies do file, the cost of adjudicating the rate case must be passed on to the customers. While the commission has developed resources to assist water companies in preparing for and filing a request for a rate increase, developing a rate case requires accounting and legal expertise often beyond the resources available to them. Commission staff are challenged to find the time and resources to provide such detailed technical support to the companies.

---

<sup>5</sup> Pursuant to state law, when a company grows to 100 or more customers or charges rates in excess of \$557 a year per customer, it becomes subject to regulation by the commission.

## Objectives

By June 30, 2017, the commission will:

- Adopt rules that allow water companies to make use of a streamlined process for adjusting rates;
- Establish financial and managerial standards for companies under commission jurisdiction;
- Identify and authorize incentives for prudent capital investment by private investors and purchase of “failing” systems by financially and managerially sound companies in order to decrease the number of companies that do not meet adopted financial standards; and
- Propose agency-request legislation to mitigate the unintended incentives to underinvest in water systems.

## Strategy

Work with stakeholders at the state Department of Health, Ecology, Washington Water Utilities Council and regulated water companies during the rulemaking process to develop a set of coordinated rule amendments, both in water company rules,<sup>6</sup> and in procedural rules,<sup>7</sup> and develop new laws that encourage private investment in water companies and promote financially and managerially sound companies, and streamline the tariff process.

## Related Budget Activity

- Economic regulation of utility and transportation companies (A014)

## Budget Performance Measure

- The average residential electricity rate paid by Washington customers of private utilities as a percent of the national average (965)

## Link to Governor’s Priorities



The promotion of efficient management of small water companies supports goal two of the Governor’s priorities: Prosperous Economy.

---

<sup>6</sup> WAC 480-110

<sup>7</sup> WAC 480-07

# TAILOR REGULATION TO THE REQUIREMENTS OF EVOLVING MARKETS

## **Tactical Goal**

Address long-term issues associated with rate-setting for low-income energy customers.

## **Responsible Division**

Regulatory Services

## **Factors that Support this Goal**

In markets served by a monopoly utility service provider, the commission's goal is to set prices that the monopoly provider would charge if it were in a competitive market.

Among the many considerations incorporated into the commission's rate setting process, one particular concern is how best to assist low-income customers.

RCW 80.28.068 states:

"Upon request by an electrical or gas company, or other party to a general rate case hearing, the commission may approve rates, charges, services, and/or physical facilities at a discount for low-income senior customers and low-income customers. Expenses and lost revenues as a result of these discounts shall be included in the company's cost of service and recovered in rates to other customers."

This broad allowance gives the commission a high degree of discretion, but given that low-income programs are supported by rates charged to other customers, the commission must strive to ensure that low-income programs are effective and efficiently executed.

## **Objectives**

In consultation with stakeholders, promote:

- Measures that bring long-term benefits to low-income households, such as improving housing stock through weatherization;
- Expansion of low-income weatherization to reduce reliance on low-income subsidy programs, or reductions in discounts for customers on such programs. This objective may require full participation of local agencies and federal programs to fund aspects beyond the scope of this commission; and
- Rate structures that provide on-going relief to qualifying customers with the goals of reducing late payments, defaulting on bills, or disconnection for non-payments.

## **Strategy**

Commission staff will promote the objectives in general rate cases, in settlements of general rate cases, and in policy workshops. The commission may revise its rules if certain objectives prove to be highly effective and application across the energy industry proves to be in the public interest. The commission will also consider introducing legislation to support cost-effective housing weatherization for rental properties occupied by low-income customers.



**Related Budget Activity**

- Economic regulation of utility and transportation companies (A014)

**Budget Performance Measure**

- The average residential electricity rate paid by Washington customers of private utilities as a percent of the national average (965)

**Link to Governor's Priorities**

Addressing long term issues associated with the low-income customer supports goal two of the Governor's priorities: Prosperous Economy.

# ENSURE THAT COMPANIES PROVIDE SAFE AND RELIABLE INFRASTRUCTURE ON WHICH THE STATE'S ECONOMY DEPENDS

## **Tactical Goal**

Evaluate regulated companies' preparedness to respond to risks and threats to critical infrastructure.

## **Responsible Divisions**

Regulatory Services

Policy and Legislation

## **Factors that Support this Goal**

In the past three years, there have been several significant outages that have exposed threats and vulnerabilities to critical infrastructure in Washington. Examples include:

- The nine-day ice and wind storm in January 2012, affecting almost all Western Washington utilities, investigated in Docket U-120231.
- The 10-day outage in the San Juan Islands caused by a cut submarine cable in November 2013, affecting local access to critical services, investigated in Docket UT-132234.
- The statewide E911 outage on April 9, 2014, investigated in Docket UT-140597.

Given continuing risks to service reliability, physical security of network assets, and security of IT infrastructure, the commission works closely with utility companies to ensure their readiness to respond to outages and enhance network security. To improve the commission's oversight ability regarding infrastructure reliability and cybersecurity, additional resources and personnel with network engineering and IT expertise will be necessary.

The commission has a statutory duty to regulate in the public interest "...the rates, services, facilities and practices ..." of utilities.<sup>8</sup> This provides the basis for the work described in this goal and allows the commission, following a hearing, to order improved quality of commodity and improved service.<sup>9</sup>

## **Objectives**

Evaluate the service reliability of regulated utilities, including:

- Identifying best practices for provisioning E911 service by June 2015;
- Identifying potential criteria to address telecommunications redundancy by June 2016;
- Updating electric reliability by June 2017;
- Monitoring the annual average number of minutes that electrical service is not available on a per customer basis using System Average Interruption Duration Index (SAIDI) information to reduce the annual average;

---

<sup>8</sup> RCW 80.01.040 (3)

<sup>9</sup> RCW 80.28.030 and 80.28.040

- Monitoring the number of telephone lines and communities affected by 911 outages on an annual basis as well as the average number of minutes per line that 911 is unavailable; and
- Initiating workshops and rulemakings as appropriate.

Implement recommendations from the 2013-2015 cybersecurity readiness evaluation for each industry:

- Incorporate cybersecurity elements into electric reliability reports by December 2015.
- Respond to recommendations from 2014 water cybersecurity workshop by June 2016.
- Update system level reporting requirements for telecommunications that incorporate cybersecurity elements by June 2017.

### **Strategy**

Initiate workshops and rulemakings to advance service reliability and cybersecurity readiness.

### **Related Budget Activity**

- Economic regulation of utility and transportation companies (A014)

### **Budget Performance Measures**

- The average number of electricity outages lasting five minutes or longer for each customer per year (966)
- Percentage of phone service interruptions restored by telephone companies within 48 hours (969)

### **Link to Governor's Priorities**



Evaluating regulated companies' preparedness to respond to risks and threats to critical infrastructure supports goal four of the Governor's priorities: Healthy and Safe Communities.

# IMPROVE THE COMMISSION'S BUSINESS PERFORMANCE FOR THE BENEFIT OF EMPLOYEES, REGULATED FIRMS AND THE PUBLIC

## **Tactical Goal**

Redesign the commission's business processes to increase the use of electronic documents.

## **Responsible Division**

Administrative Law

## **Factors that Support this Goal**

The commission's procedural rules currently require that firms file an original and 12 copies of documents in adjudications and 19 copies in general rate cases. Requiring companies to file so many paper copies is a significant expense that involves copying, preparation, and delivery costs. The commission then distributes these copies internally. Companies must also file all documents in electronic form.

In recent years, the commission has completed information technology projects that have improved the ability to manage and review documents electronically. For example, a recent Intranet redesign has provided an online work environment for staff to share documents and collaborate.

The next step in this effort is to redesign the process of managing, reviewing, and analyzing documents filed with the commission and make adjustments to the online environment needed to support commission staff. This change needs to be made in a way that avoids shifting the copying costs from regulated companies to the commission.

This will require a change in rules, an appropriate transition plan to assist internal and external users, and staff training on how to efficiently work with electronic documents. Modifying rules to rely on electronic documents instead of paper copies will become more important as the commission adapts to and supports more electronic access to documents.

Reducing the commission's reliance on paper documents will eliminate the need for multiple copies of filings, case testimony, and other regulatory paperwork which will reduce consumption of paper by the agency and for the companies that it regulates.

## **Objectives**

By July 2016:

- The commission's semi-monthly public meetings will rely entirely on electronic documents.

- Companies will file two copies of documents, an original and one copy, instead of the current 12 to 19 copies.<sup>10</sup>
- The commission's copying costs increase less than five percent following the implementation of the new rules and business processes.

**Strategy**

Using lean process tools, redesign current business process and use agile application development methodology to make needed changes to current applications.

**Related Budget Activity**

- All four UTC activities will benefit from this tactical goal.

**Linkage to Governor's Priorities**

Moving to a paperless environment supports goal five of the Governor's priorities: Effective, Efficient and Accountable Government

---

<sup>10</sup> The need for the remaining paper copies relates to the current requirement to archive documents in paper form and to respond to requests for public records where the requestor wants paper copies of documents.

# IMPROVE THE COMMISSION'S BUSINESS PERFORMANCE FOR THE BENEFIT OF EMPLOYEES, REGULATED FIRMS AND THE PUBLIC

## **Tactical Goal**

Retire the commission's Lotus Notes (Notes) infrastructure and plan for future transition of systems to the cloud environment.

## **Responsible Division**

Administrative Services

## **Factors that Support this Goal**

The commission has been phasing out its Notes infrastructure for the past several years. We expect to complete this process by the end of the biennium. Accomplishing this goal will have the following benefits: the retirement of older, commission-housed servers, elimination of the reliance on out-of-date software, and reduction of the complexity of the commission's server and client software environment.

The second part of the tactical goal – plan for the transition to the cloud-based environment – is a recognition that leaving one environment means that it is time to plan for the next. As we move from Notes to browser-based SharePoint, the commission is planning for building and using applications that are hosted outside the state's IT environments. This will allow for improved mobile support and accessibility, as well as, provide commission staff with access to premium software.

## **Objectives**

By the end of the 2015-17 biennium, the commission will:

- Migrate all Notes data necessary for commission operations;
- Retire all Notes applications and servers; and
- End its reliance on Lotus Notes software.

The retirement of the Notes environment will be demonstrated by the reduction of the Notes applications and the decommissioning of the Notes servers. Planning for the entry into the cloud environment will be measured by a defined roadmap.

The commission will update our application roadmap to include the implementation of cloud-based hosting and the use of software-as-a-service applications for commission business.

## **Strategy**

The commission will use well established agency standards of project definition and prioritization to direct these efforts, with the addition of prototypes and proofs-of-concept for cloud hosting and applications.

**Related Budget Activity**

- All four UTC activities will benefit by this tactical goal.

**Link to Governor's Priorities**

Retirement of the Notes infrastructure and planning for future transition of systems to the cloud environment supports goal five of the Governor's priorities: Effective, Efficient and Accountable Government.

# TAKE STEPS TO MAKE THE COMMISSION AN EMPLOYER OF CHOICE

## **Tactical Goal**

Build a culture of respect, professionalism, integrity, and accountability.

## **Responsible Division**

Human Resources

## **Factors that Support this Goal**

Feedback obtained from the most recent statewide Employee Satisfaction Survey indicates an average positive response from commission staff of 66 percent. Similarly, an average of 65 percent of employees responded positively to survey questions related to a culture of respect, feedback and recognition.

An organization that is clear and focused on its values can use them to stimulate changes in its work culture. How commission employees act and interact, and the choices they make about work have an impact on current and future employees.

As the commission faces an increasingly complex workload, planning for potentially losing 35 percent of staff who are eligible to retire by 2016, and recruiting a new generation to take their place, it is critical that the commission consider the impact that culture has on its success.

## **Objectives**

- Take steps to ensure the commission is more welcoming and respectful.
- Do a better job recognizing and rewarding employee performance.
- Support employees by providing training and coaching needed to quickly develop and perform at a high level.

## **Strategy**

The commission will use available communication tools to inform and update employees; offer focused and specialized training; and provide periodic teambuilding activities to integrate the commission's values into its culture. The commission will also continue to improve management's effectiveness through an ongoing leadership development effort.

## **Related Budget Activity**

- All four budget activities will benefit by this tactical goal.

## **Link to Governor's Priorities**



Building a culture of respect, professionalism, integrity and accountability supports goal five of the Governor's priorities: Effective, Efficient and Accountable Government.



# ASSESSMENT OF INTERNAL CAPACITY AND FINANCIAL HEALTH

Regulated industries are undergoing constant change and facing significant new demands. As a result, companies are regularly presenting new and complex issues for the commission to address. Frequent rate cases, legal requirements associated with conservation and renewable energy, increased rail traffic and associated safety issues, technological changes, and environmental mandates all require top-notch talent in the areas of economics, finance, law, engineering, consumer protection, and public policy.

## **Personnel**

To meet its increasing – and increasingly complex – workload, the commission must attract and retain individuals who have unique skills. In doing so, the commission must compete with the private sector and municipal utilities, where salaries are historically higher than state government.

The ability to recruit top-level talent for our regulatory analyst class series is the commission's most pressing staffing challenge. The agency is continuing its current strategies for hiring these positions at entry and in-training levels. The implementation of in-training plans for the commission's external recruitments allows the flexibility to hire talented candidates at lower levels of the class series, providing a specific training plan, the successful completion of which can result in promotion to higher levels of the class series. The commission also continues to work with the state Human Resources Office to find ways to adjust compensation levels, which is a critical priority. The commission anticipates both efforts will assist in retention efforts.

Additionally, the commission continues to prepare current staff to fill anticipated vacancies with cross-training and developmental opportunities that prepare internal candidates to be qualified when vacancies occur. Moreover, the commission is continuing its efforts to streamline processes using lean concepts, allowing it to maximize technology resources and free up staff to focus on complex analytical and policy work.

As an increasing numbers of commission staff become eligible to retire in the next five years, it is imperative that the commission employ strategies to retain crucial institutional knowledge. Without strategies to mentor and grow talent internally, the loss of institutional knowledge will have a significant impact on the commission's ability to carry out its mission. Training is offered to ensure current and future employees have the opportunity to gain the knowledge and skills to mitigate gaps that have been identified upon the vacancy of key positions. Opportunities include targeted training for both technical and soft skill development, informal job shadowing, and mentoring, to create greater employee engagement. The commission is also identifying mentors to promote the growth of newer staff and mitigate the potential loss of institutional knowledge due to anticipated retirements.

## **Fiscal**

The commission is supported by fees paid by regulated companies, most of which are calculated as a percentage of a company's intrastate revenues from operations. The commission receives most fees in May of each year. In addition, the agency receives federal grant money from the U.S. Department of Transportation for the agency's pipeline safety and motor carrier safety programs.

Fee revenues have grown slowly but steadily in most industries with the exception of the telecommunications industry, which continues to lose customers to cellular and cable-based services that the commission does not regulate. The commission's revenue outlook is generally positive and continues to generate the money necessary to fund commission operations.

The commission's appropriation has remained largely unchanged in recent years due to state financial crises while costs for shared services have increased. In addition, the workload in the energy and rail safety industries has increased significantly. The commission has taken steps to adjust resources internally but must increase staffing in these areas. Consequently, the commission seeks an increase to its appropriation in the coming biennium – for the first time in two biennia.

### **Information Technology**

Information technology is critical to the operations of the commission. Staff has developed goals and strategies that rely on sound investments in technology and the ability to obtain funds needed for those investments. Our technical direction is guided by the technology strategies adopted by the Office of the Chief Information Officer, the enterprise projects undertaken by Consolidated Technology Services and the state Department of Enterprise Services, and the priorities established by the agency's Information Technology Steering Committee. The steering committee balances agency business needs, statewide technology direction, and resource and technical constraints when approving projects.

The commission's technology objectives are to complete the migration to a Microsoft-based application and system environment, actively maintain the agency's technical systems to ensure their reliability and effectiveness, and to begin migration to cloud-based applications, in line with the state's technology strategies.

# PERFORMANCE ASSESSMENT

In evaluating our mission to regulate the rates, service quality, and safety of privately owned utility and transportation companies, the commission uses different measures, including OFM budget activity measures, to gauge performance and inform operational and strategic decision-making.

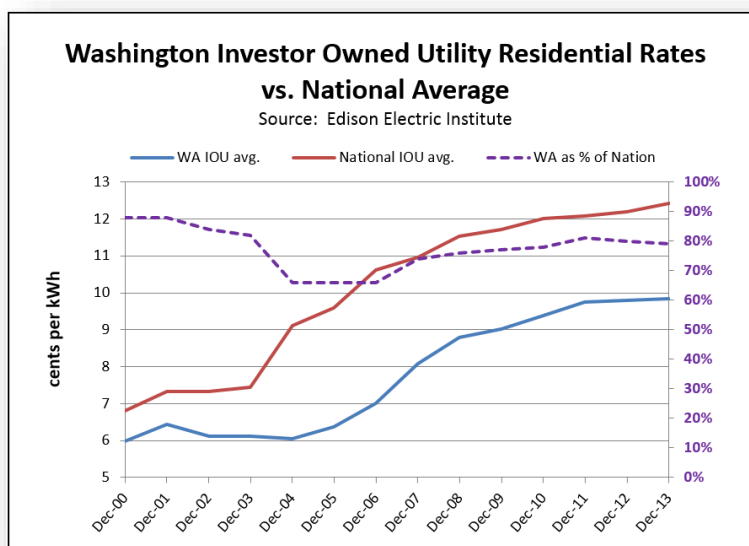
The commission must respond to filings made by regulated companies often under deadlines set by law. It is difficult to predict with certainty what might come in the door for analysis and decision. In addition, new market conditions, technology shifts, changes in federal and state laws, and consumer expectations create a dynamic policy landscape.

While these factors combine to make meaningful performance measures a challenge, the commission uses these tools where it makes sense. Several of these measures are highlighted below.

## Washington Electricity Rates

This measure shows the average residential rates of investor-owned utilities (IOUs) regulated by the commission, compared to average IOU rates nationally. The dotted line indicates that Washington rates were increasing at a rate less than the national average increase until 2007, then a slight upward movement, but relatively constant at 80 percent of national rates in the past few years. This demonstrates a significant competitive advantage in rates compared to the national average.

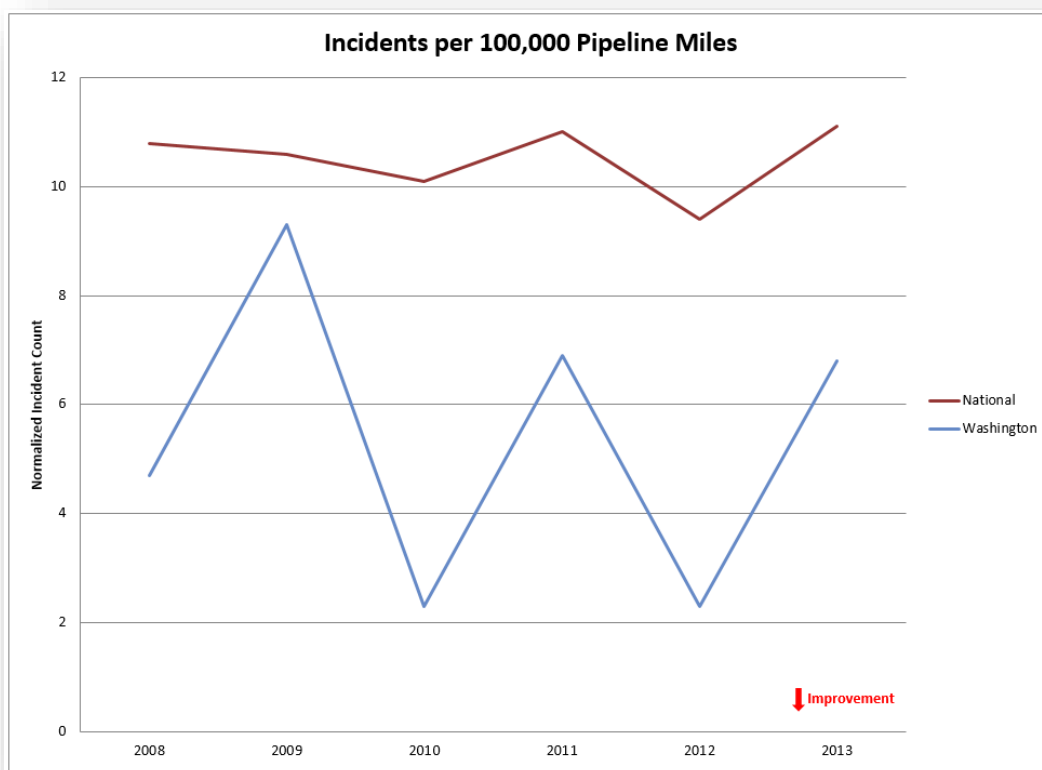
Cost drivers in Washington are substantially related to infrastructure investments for replacement of aging plants. Recent rate plans the commission has approved may mitigate rate increases in Washington over the next few years, however, it is important to note that rate levels are influenced by variables that are outside the control of the commission. Some of these variables are the general state of the economy, population changes and weather, all of which will influence load growth and an IOU's revenue, investments, and expenses.



## Pipeline Incidents

The commission monitors pipeline operators to ensure they follow state and federal safety regulations in the operation of their pipelines. Many of those regulations are intended to prevent events that may result in a pipeline incident. Despite these regulations, there are reportable accidents in Washington each year, often the result of a third-party damaging a pipeline by excavation or other outside force.

A significant incident is one that involves death or injury requiring hospitalization. When the incidence of pipeline incidents is normalized to the number of incidents per 100,000 miles of pipeline, Washington's incident rate is typically lower than the national rate. As shown in the chart below, Washington has been below the national rate from 2008 to 2013. Part of the variability in Washington's year-to-year numbers is due to the small number of incidents, typically four or fewer each year.



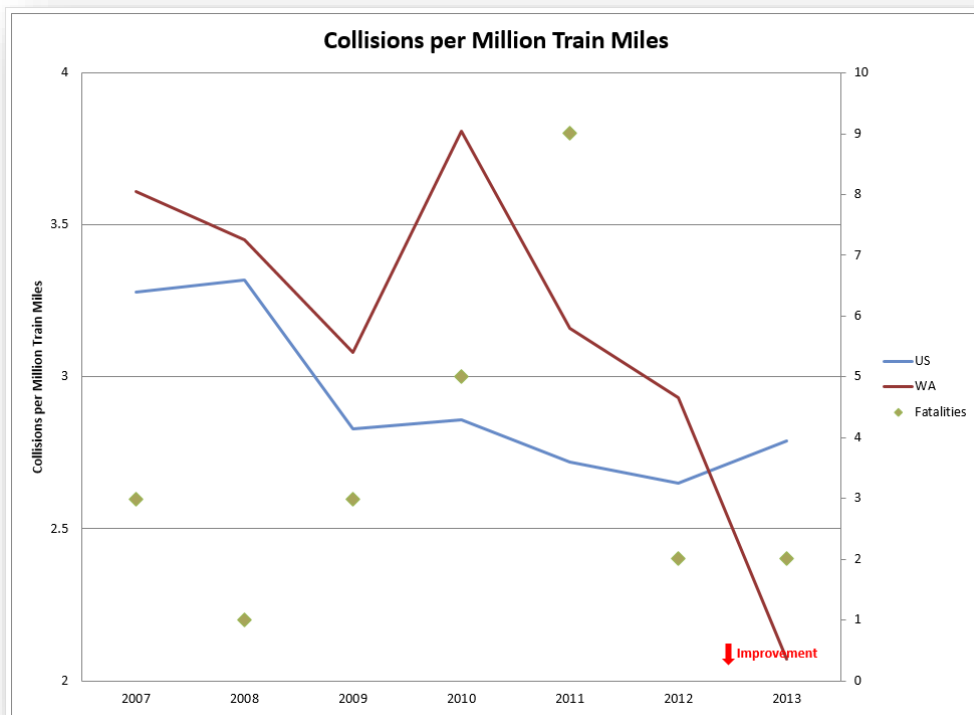
| Year       | Incident Count (Actual) |      |      |      |      |      |
|------------|-------------------------|------|------|------|------|------|
|            | 2008                    | 2009 | 2010 | 2011 | 2012 | 2013 |
| Washington | 2                       | 4    | 1    | 3    | 1    | 3    |

## Rail Crossing Collisions

There are approximately 3,000 public railroad grade crossings in Washington. Over the past five years, there has been an average of 30 vehicle-train collisions per year at public crossings in the state. The commission undertakes a number of activities to improve motor vehicle safety at railroad crossings in Washington.

One of the measures the commission uses to monitor crossing safety is the rate of crossing collisions per million-train miles. This measure allows the commission to control for the changing volume of train traffic in Washington over time. It also allows the commission to compare Washington's experience to the national collision rate.

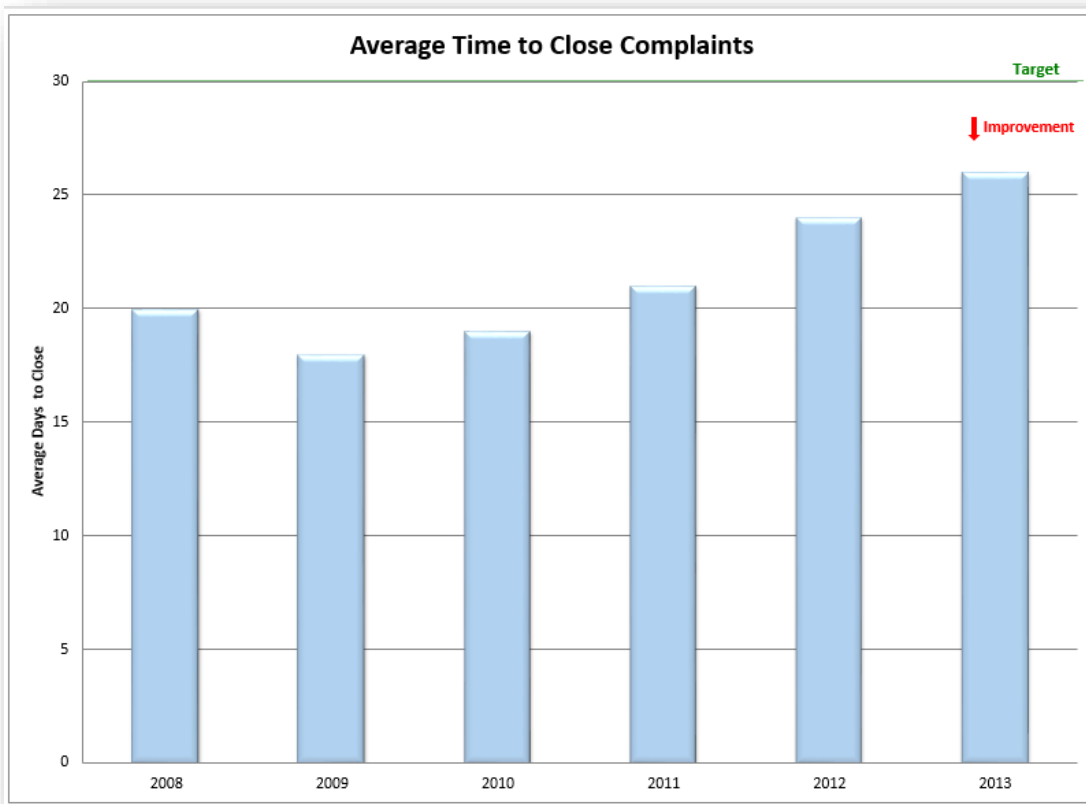
The rate of train-vehicle collisions in Washington has declined for most of the period shown. The uptick in 2010 and 2011 is the result of declining Washington train-miles during those years. The number of collisions held steady at 36 in 2010 and declined to 21 in 2013. The number of fatal accidents spiked in both 2010 and 2011, then declined to two per year in 2012 and 2013. Commission rail safety staff continue to identify and implement strategies to improve safety at rail crossings.



### Average Number of Days to Close Consumer Complaints

This measure tracks the average number of days a consumer complaint received by the commission's Consumer Protection Section stays open before resolution. This measure is an indication of how promptly the commission is able to address consumers' concerns. The average time a consumer complaint remains open is presently 26 days.

The average number of days to close complaints has increased from 18 to 26 days over the past five years. This change is the result of multiple factors, including the complexity of a complaint, responsiveness of regulated companies, commission staffing, training, and internal quality review. From 2011 through 2013, the commission experienced turnover of five of the 6.5 FTEs on the consumer complaint team. This high turnover resulted in an increase in the average time to close complaints due to recruitment and training efforts. When new employees are hired, they are considered "in-training" for six to 18 months while they work closely with a trainer to ensure proper application of state statutes, rules, and tariffs. Their complaints are expected to take longer to close on average. Consumer complaints are also randomly reviewed for quality, based on a standard rubric. Occasionally, a complaint may need to be re-opened and further investigated. This can extend the amount of time a complaint may need to remain open.



# STATUTORY AUTHORITY OF THE COMMISSION

The commission regulates utilities under authority granted in Title 80 and transportation companies under Title 81 of the Revised Code of Washington (RCW). The commission's rules are in Title 480 of the Washington Administrative Code (WAC).

The following chapters authorize the commission's utility regulatory programs:

|       |  |
|-------|--|
| 80.01 | Utilities and Transportation Commission  |
| 80.04 | Regulations – general, including hearing procedures, annual reports, etc.      |
| 80.08 | Securities   |
| 80.12 | Transfers of property  |
| 80.16 | Affiliated interests   |
| 80.20 | Investigation of public service companies                                      |
| 80.24 | Regulatory fees  |
| 80.28 | Gas, electrical, and water companies   |
| 80.36 | Telecommunications   |
| 80.50 | Energy Facilities – site locations   |
| 80.54 | Attachments to transmission facilities   |
| 80.60 | Net metering of electricity  |
| 80.66 | Radio communication service companies  |
| 80.80 | Greenhouse gases emissions – baseload electric generation performance standard |

The following chapters authorize the commission's transportation and safety programs:

|       |  |
|-------|--|
| 81.04 | Regulations -- General                                       |
| 81.08 | Securities   |
| 81.12 | Transfers of property  |
| 81.16 | Affiliated interests   |
| 81.20 | Investigation of public service companies                    |
| 81.24 | Regulatory fees  |
| 81.28 | Common carriers in general                                   |
| 81.44 | Common carriers -- Equipment                                 |
| 81.48 | Railroads -- Operating requirements and regulations          |
| 81.52 | Railroads -- Rights of way -- Spurs -- Fences                |
| 81.53 | Railroads -- Crossings                                       |
| 81.54 | Railroads -- Inspection of industrial crossings              |
| 81.66 | Transportation for persons with special needs.               |
| 81.68 | Auto transportation companies                                |
| 81.70 | Passenger charter carriers                                   |
| 81.77 | Solid waste collection companies                             |
| 81.80 | Motor freight carriers (trucking and household goods movers) |
| 81.84 | Commercial ferries   |
| 81.88 | Gas and hazardous liquid pipelines                           |

81.108 Low level radioactive waste disposal sites  
19.122 Underground utilities